

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3502-08
Bill No.: Truly Agreed to and Finally Passed CCS #2 for SCS for HCS for HB 959
Subject: Education, Higher; Banks and Financial Institutions
Type: Original
Date: May 19, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	(Unknown)	(\$20,640 to Unknown)	(\$28,779 to Unknown)
Total Estimated Net Effect on General Revenue Fund *	(Unknown)	(\$20,640 to Unknown)	(\$28,779 to Unknown)

* Unknown expected to exceed \$100,000.

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTIONS

Officials from the **Office of the State Auditor** (SAO) assumed an audit of this program would require additional audit hours every year for ongoing review of the program and a semi-annual audit. SAO estimates one additional FTE would be needed for this program.

Oversight assumes SAO can complete the required program audit with existing resources.

Officials from the **Office of Administration, Division of Budget and Planning**, and the **Department of Higher Education** assume this proposal would have no impact on their organization.

ASSUMPTIONS (continued)

Officials from the **Office of the State Treasurer** (STO) stated the proposal would allow direct deductions from state employees' pay to any number of bank and/or savings & loan deposit accounts. STO will defer to OA for an estimate of this cost. STO noted that the amended version of the proposal would create a certificate of deposit tuition savings program, with contributions to Missouri sponsored programs deductible from Missouri taxable income. STO estimates the certificate of deposit tuition savings program would have the following fiscal impact to general revenues (each year assumes only a 25% growth):

FY 2005

\$2.88 million tax loss

[\$48 million estimated tax deductible contributions to the cd program * 6% Missouri tax rate = \$2.88 million]

FY 2006

\$3.6 million tax loss

[\$60 million estimated tax deductible contributions to the cd program * 6% Missouri tax rate = \$3.60 million]

FY 2007

\$4.5 million tax loss

[\$75 million estimated tax deductible contributions to the cd program * 6% Missouri tax rate = \$4.50 million]

The above calculations are based on an estimate that 40,000 accounts will be opened during the first year with an average account size of \$2,000.

Oversight assumes this proposal could result in more Missouri taxpayers investing in qualified education savings programs but is not able to estimate the rate of growth for this program. According to the website for the Federal Reserve Board the national savings rate for all households in 2000 was 1.3 percent, with a substantially increasing higher savings rate for households with higher incomes. Oversight will show the revenue impact of this proposal as a negative unknown.

ASSUMPTIONS (continued)

Officials from the **Office of the Secretary of State** (SOS) assume the proposal would create the Missouri Higher Education Deposit Program and the Missouri Higher Education Deposit Program Board to administer a program for tax free education savings deposits. The Director of the Division of Finance would be chairman of the board. In addition to the deposits, the board will develop and implement educational programs. The board of the Missouri Higher Education Deposit Program, the Department of Higher Education, and the Department of Revenue may promulgate rules to enact this legislation. SOS estimates these rules could require as many as 16 pages in the Code of State Regulations. These rules would be published in both the Missouri Register and Code of State Regulations. For any given rule, roughly half again as many pages are published in the Missouri Register as in the Code because cost statements, fiscal notes and the like are not repeated in Code. SOS indicated that the cost of a page in the Missouri Register is \$23 and the cost of a page in the Code of State Regulations is \$27. $((24 \times \$23) + (16 \times \$27) = \$984)$

Oversight assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

In response to a similar proposal, officials from the **Department of Revenue** (DOR) assumed Personal Tax would need to verify the documentation on each subtraction and handle additional correspondence. DOR estimates that Personal Tax will need one Tax Processing Tech for every 30,000 additional deductions claimed and one Tax Processing Tech for every 3,000 additional pieces of correspondence received on this legislation. DOR deferred to the estimated revenue impact prepared by the State Treasurers Office or the Office of Administration, Division of Budget and Planning. DOR estimated a total of two new FTE would be required, and provided an estimate of the total cost for their salaries, benefits, additional equipment and expense, and office space for the new staff.

ASSUMPTIONS (continued)

Oversight has, for fiscal note purposes only, changed the starting salary for the Tax Processing Technician to correspond to the second step above minimum for comparable positions in the state's merit system pay grid. This decision reflects a study of actual starting salaries for new state employees and the policy of the Oversight Subcommittee of the Joint Committee on Legislative Research. Oversight has also reduced the amounts for equipment and expenses in accordance with Office of Administration budget guidelines, and Oversight assumes that the limited number of new staff for this proposal could be accommodated in existing office space. If additional proposals requiring new staff are approved, the space needed for the new staff could be addressed under the normal state budget process.

Officials from the **Office of Administration, Division of Accounting**, assume the proposal would not have a direct impact on their organization.

Officials from the **Department of Economic Development, Division of Finance** and the **Department of Economic Development, Division of Credit Unions**, assume the proposal would not have a direct impact on their organization.

Officials from the **Office of the Attorney General** assume that any additional cost resulting from this proposal could be absorbed with existing resources.

Officials from the **Office of State Public Defender** assume that any additional costs resulting from the proposal would be addressed in future state budget requests.

Officials from the **Office of State Courts Administrator** assume the proposal would not have a direct impact on their organization.

In response to a previous version of this proposal, officials from the **Office of Prosecution Services** and the **State Highway Patrol** assumed the proposal would not have a direct impact on their organizations.

Officials from **Department of Public Safety** did not respond to our request for information.

ASSUMPTIONS (continued)

The Oversight Subcommittee met on March 4, 2004, and voted to reflect an unknown loss of revenue from a similar proposal beginning in FY 2006, and to reflect an administrative impact to the Department of Revenue of one-half FTE for FY 2006 and one FTE for FY 2007.

In response to a previous version of this proposal, officials from the **Department of Corrections** (DOC) assumed DOC is unable to determine the number of people who would be convicted under the provisions of this bill and therefore the number of additional inmate beds that may be required as a consequence of passage of this proposal. An increase in commitments depends on the utilization by prosecutors and the actual sentences imposed by the courts, however the trend of this type of crime is increasing daily.

Estimated construction cost for one new medium to maximum-security inmate bed is \$55,000. Utilizing this per-bed cost provides for a conservative estimate by the DOC, as facility start-up costs are not included and entire facilities and/or housing units would have to be constructed to cover the cost of housing new commitments resulting from the cumulative effect of various new legislation, if adopted as statute. In summary, supervision by the DOC through incarceration or probation would result in additional costs and although the exact fiscal impact is unknown, it is estimated that potential costs will be in excess of \$100,000 per year.

This proposal would decrease Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
GENERAL REVENUE FUND			
<u>Loss - General Revenue</u>			
Reduced revenue due to higher contributions to IRC 529 programs.	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Total revenue reduction - GR	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
<u>Cost - Department of Revenue</u>			
Personal Service (0, 0.5, 1.0 FTE)	\$0	(\$10,168)	(\$20,844)
Fringe Benefits	\$0	(\$3,599)	(\$7,379)
Equipment and Expense	<u>\$0</u>	<u>(\$6,873)</u>	<u>(\$556)</u>
Total Costs - DOR	<u>\$0</u>	<u>(\$20,640)</u>	<u>(\$28,779)</u>
<u>Cost - Department of Corrections</u>			
Increase in incarceration or probation costs *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
Total costs - DOC *	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
TOTAL ESTIMATED NET EFFECT ON GENERAL REVENUE *	<u>(Unknown)</u>	<u>(\$20,640 to Unknown)</u>	<u>(\$28,779 to Unknown)</u>

* Unknown expected to exceed \$100,000.

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have a fiscal impact to small businesses involved in investments or banking.

DESCRIPTION

This proposal would make several changes in laws regarding banking and related businesses.

College Savings Programs

The proposal would expand the Missouri College Tuition Savings Plan (also known as an IRC Section 529 Plan) by establishing the Missouri Higher Education Deposit Program. The deposit program would allow any bank in Missouri to establish savings accounts as part of a 529 Plan. State employees could request automatic payroll deductions for deposit into these accounts.

Annual

contributions made to Missouri savings programs up to \$8,000 would be deductible from the participant's gross income, and any income earned by the investment would not be subject to state income tax. The deposit program must be administered in the same fashion as the current savings program. These provisions will expire six years from the effective date.

Deceptive Use of a Financial Institution's Name

The proposal would create a cause of action for the deceptive use of the name of a financial institution. A financial institution could sue any person or entity that creates a misleading advertisement

or solicitation by including the name of the institution without consent.

Identity Theft

The proposal would change several statutory provisions regarding the crime of identity theft.

Attempted identity theft would be a class B misdemeanor, and identity theft resulting in a loss to a victim would be classified based on the amount of the loss. Identity theft would be a class A felony when the identity theft is performed for the purpose of committing a terrorist act, and would be a class C felony when the identity theft is performed for the purpose of committing an election offense.

The proposal would create the crime of trafficking in stolen identities, a class B felony, and specifies that possession of a means of identification for five persons would be evidence of the intent. In addition to the criminal penalties, the proposal specifies civil damages up to \$5,000 per incident or three times the amount of actual damages, whichever is greater.

DESCRIPTION (continued)

Deeds of Release

The proposal would allow lenders 45 to provide a deed of release and would allow the lender to have the document recorded, rather than sent to the borrower. If the document cannot be recorded for any reason, the lender would have an additional 60 days to file a document that can be recorded.

Small Loans

The proposal would change several statutory provisions regarding small loans.

State Bonding Entities

The Board of Fund Commissioners and the State Board of Public Buildings would be authorized to issue and refinance existing financial instruments, converting them into variable rate issuances and other financial arrangements. Up to 20% of the state's outstanding debt could be converted to variable rate debt.

Attachment and Execution Exemptions

The proposal would increase the exemption from attachment and execution for certain belongings including household goods, wedding rings, tools of a trade, motor vehicles, mobile homes, and alimony. Further, the proposal would increase the exemption for being the head of a household and for dependents, including disabled dependents.

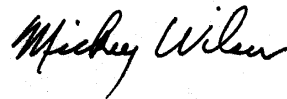
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of the Attorney General
Office of the State Auditor
Office of the State Treasurer
Office of the Secretary of State
Office of State Courts Administrator
Office of State Public Defender
Office of Administration
 Division of Budget and Planning
 Division of Accounting
Department of Corrections
Department of Higher Education
Department of Revenue
Department of Economic Development
 Division of Finance
 Division of Credit Unions
State Highway Patrol
Office of Prosecution Services

NOT RESPONDING

Department of Public Safety



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Director
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